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HOW START-UPS ARE CRIPPLING THE U.S.-

THE MAGAZINE OF CORPORATE MANAGEMENT

APRIL 1982 $3.00

BUSINESS MONTH

MANAGERS: 100 WOMEN TO WATCH IN CORPORATE AMERICA

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BUSINESS MONTH, Publication Number (ISSN: 0892-4090), APRIL 1989, Vol. 133, No. 4. Copyright © 1989 by Goldhirsh Group, Inc. All rights reserved. Published monthly. Editorial and advertising offices at: 488 Madison Avenue, New York, NY 10022. Telex 592-379. Tel. 212-326-2600. Subscription rate for U.S. and possessions, 12 issues for $24, foreign air-mail, $45. Please state title and company when subscribing. Publisher reserves the right to refuse nonqualified controlled subscriptions. POSTMASTER: Send address changes and all mail to: BUSINESS MONTH, 488 Madison Avenue, New York, NY 10022. In case of change of address, enclose a copy of old address label from a recent issue. Second class postage paid at New York, NY, and at additional mailing offices. The contents of this publication may not be stored or reproduced in any form without consent of copyright owner. Requests for permission should be directed to: Permissions Manager, BUSINESS MONTH, 38 Commercial Wharf, Boston, MA 02110. Tel. 617-227-4700. BUSINESS MONTH™ is a registered trademark of Goldhirsh Group Inc. Printed in U.S.A.

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THE NEW SPAIN

Business is booming as more and more companies invest in Spain with favorable results. Modernization and generous government subsidies are paving the way for foreign investment.

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chapter Geneen talked of all the theories on management he had been exposed to and how none had worked out. Then he wrote, at the end of the chapter:

"Over a half century has gone by since I began making business decisions, and if I were forced to try to sum it all up, I would have to say that the best way to run a business with the best hope of eventual success is to do it as you would cook on a wood-burning stove.

"How do you cook on such a primitive stove? Because you know that you cannot control all the elements of fire, wood, air flow, etc., you keep your eye on everything at all times. You follow the recipe to an extent, but you also add something extra of your own. You do not measure out every spice and condiment. You sprinkle here, you pour there. And then you watch it cook. You keep your eye on the pot. You look at it and check it from time to time. You sniff it. You dip your finger in and taste it. Perhaps you add a little something extra to suit your own taste. You let it brew a while and then taste it again. And again. If something is wrong, you correct it. Whatever you do, the most important thing is to keep your eye on it. You don't want it to be ruined when you are off doing something else. When it is done to your satisfaction, you're right there to take it off the stove. In the end, you will have a pot roast or a lamb stew that is the very best you could possibly make, a joy to your palate and a tribute to your ability as a cook. It will taste far better than any slab of meat you cook automatically by pushing buttons on a microwave oven. That is how you would cook on a wood-burning stove when nothing is preset. And that is the frame of mind to take into the art of conducting and building a successful business."

—*JOHN VAN DOORN*

Q: How Can You Ensure Ethical Behavior from Your Managers?

West

"We have a published policy on business conduct. We update it regularly, distribute it to all of our salaried employees and ask them to sign an acknowledgement that they have read it. Then if there are breaches of that policy, justice is swift and sure. It happens rarely, but we have terminated corporate officers."

ROBERT WEST, Chairman and Chief Executive Officer, Butler Manufacturing

Phillips

"Our corporate policy manual deals with all matters relating to ethical behavior—from equal opportunity to prohibitions on accepting gifts from anybody who does business with us. In addition, all executives certify in writing that they hold no investments in companies we do business with. Any employee who breaches these policies is subject to dismissal."

LAWRENCE PHILLIPS, Chairman and Chief Executive Officer, Phillips-Van Heusen

Banks

"We have a standard-of-ethics policy, but I have found that those policies are no better than the paper they are written on. It is far more effective to have executive officers who exhibit high ethical standards. If a manager doesn't conduct himself as he should, he is dealt with swiftly. In that way, the word spreads throughout the company that we are not going to condone unethical practices."

RUSSELL BANKS, President and Chief Executive Officer, Grow Group

Llewellyn

"The CEO has to be the model for ethical standards. It's like the Marine Corps: The leader has to be able to do everything the rest of the troops do, and he has to be able to do it better. I don't think written policy statements are worth anything. Managers will treat customers and workers fairly if the CEO does."

STEVE LLEWELLYN, President and Chief Executive Officer, Ocean Spray

Langenberg

"All of our salaried employees are required to sign a form stating that they have not participated in or received any questionable payments. And all employees who could influence purchases must sign a statement that they have not been involved in any transaction that could be considered a conflict of interest. Finally, our internal audit group has direct access to the audit committee of the board of directors."

FREDERICK C. LANGENBERG, Chairman and Chief Executive Officer, Interlake Corporation

> "TIME AFTER TIME, FOREIGN competitors have taken over markets American companies once pioneered and led. In 1970, U.S. producers had 100 percent of our domestic consumer electronics market. Today, they hold 5 percent. We pioneered semiconductor technology. Yet today, U.S. suppliers hold less than 30 percent of the world market; Japan has 65 percent."
>
> *John A. Young, President and Chief Executive, Hewlett-Packard Company, in a speech to the American Electronics Association*

Health-Care Costs Sedated

JUST WHEN COMPANIES were beginning to feel some semblance of control over health-care costs, mental-health and substance-abuse expenses started to run hog-wild. GTE California, one company that found itself being overcome by the stampede, decided to do something about it.

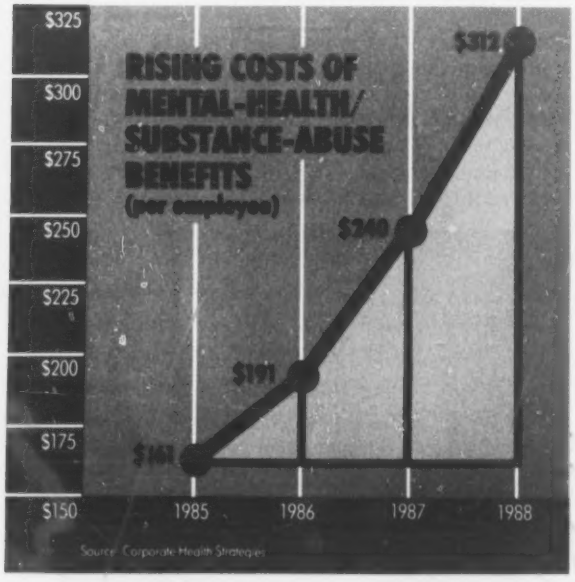
According to Bruce Taylor, the company's manager of employee insurance, costs were on their way to doubling from $7 million in 1984 to a projected $13.8 million in 1987, driven by a benefits package that seemed to be designed for maximum cost and minimum employee satisfaction. Under the plan, the more expensive inpatient care was fully covered while re-

imbursement for outpatient therapy was limited to $40 per visit—well below most therapists' rates. As a result, most patients fared better financially if they checked into the hospital and stayed there.

To realign the incentives, GTE California decided to chuck its old mental-health-care package at the beginning of 1987 and form a preferred provider organization (PPO). Members, both hospitals and outpatient therapists, agreed to have their treatment monitored by the company's "case managers." In exchange, all care obtained from a PPO member was fully covered. Care provided by a nonmember was also subject to case management, but even if it was approved, the employee had to pay 20 percent plus a deductible.

The result of the GTE reform was that more people got help for less money. The number of employees opting for outpatient therapy increased by 41 percent. The number of bed days per month in the bankrupting inpatient environment plummeted by 25 percent. The company wound up spending $10.2 million instead of $13.8 million for 1987, and Taylor expects 1988's figures to drop to about $8 million.

—CRAIG MELLOW



PHOTOGRAPH (TOP TO BOTTOM) BY DONNELLY HAMMELMANN; HAIR BY NINA WALLACE

Their Compact Is Broken

ON FEBRUARY 21, Compaq Computer Corporation dealt the corporate equivalent of a two-by-four between the eyes to one of its largest dealers, Businessland Inc., when it canceled the computer retailer's contract to sell Compaq products. While it was no secret that there had been friction between the two companies for several years, few in the industry expected such a dramatic conclusion. Last year, 7 percent, or $147 million of Compaq's $2.1 billion in sales, came from Businessland, and Compaq products accounted for 15 percent of Businessland's 1988 revenues.

Rod Canion and Compaq got Businessland's attention. Now what?

Industry insiders say the source of the conflict was the cavalier attitude Businessland's management developed toward Compaq after IBM introduced its PS/2 Micro Channel family of personal computers in 1986. IBM, which accounts for 31 percent of Businessland's sales, offered the retailer a variety of incentives to push the new system, including larger margins on IBM computer sales. Presented with a golden opportunity to play both ends against the middle, Businessland asked Compaq and other manufacturers of IBM-compatible PCs to provide similar incentives. But Compaq balked. "We are the only personal computer maker to sell solely through dealers, and we consider our dealers' confidence critical to our ongoing success," says Michael S. Swavely, Compaq's vice president of sales and marketing. "The special terms would have given Businessland an unfair advantage over other dealers."

When Compaq's management declined to play the incentives game, Businessland realigned its commission structure to give salesmen larger commissions for selling IBM computers and lower commissions for selling Compaq machines. It also began letting industry analysts know that it considered Micro Channel the top PC architecture and, while it would continue to sell and service non-IBM equipment, its promotional emphasis would be on IBM. Compaq couldn't tolerate such blatant discrimination long, even from one of its most important dealers.

Although Compaq adamantly insists that its break with Businessland wasn't a tactic to get anyone's attention, the action did send a clear signal across the land that it's not a good idea to fool with the second largest computer maker even at the behest of the largest. And, intended or not, several dealers say they got the message.

—LAUREL B. CALKINS

Management in The Next Century

THE 21ST CENTURY IS rapidly bearing down on the manufacturing industry, and if a recent study for the Society of Manufacturing Engineers is any guide, U.S. companies are far from ready. A.T. Kearney, a consulting firm, and